ACE MARKETING & PROMOTIONS INC
Form 10-Q
August 15, 2011

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011

COMMISSION FILE NUMBER: 000-51160

ACE MARKETING & PROMOTIONS, INC.
(Exact name of registrant as specified in its charter)

NEW YORK	11-3427886
(State of jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

457 ROCKAWAY AVE.
VALLEY STREAM, NY 11581
(Address of principal executive offices)

(516) 256-7766
(Registrant's telephone number)

NOT APPLICABLE
(Former name, address and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file).

Yes x No o

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer o	Accelerated Filer o
Accelerated Filer o	Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

As of August 1, 2011, the registrant had a total of 22,700,926 shares of Common Stock outstanding.

ACE MARKETING & PROMOTIONS, INC.

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ACE MARKETING & PROMOTIONS, INC.

Condensed Balance Sheets

	June 30, 2011 Unaudited	December 31, 2010 Audited
Assets		
Current Assets:		
Cash and cash equivalents	$725,603	$763,581
Accounts receivable, net of allowance for doubtful accounts of $20,000 at June 30, 2011 and December 31, 2010	370,906	298,892
Prepaid expenses and other current assets	586,682	218,336
Total Current Assets	1,683,191	1,280,809
Property and Equipment, net	587,240	249,726
Other Assets	7,745	7,745
Total Assets	$2,278,176	$1,538,280
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$384,519	$243,795
Accrued expenses	105,656	98,270
Total Current Liabilities	490,175	342,065
Commitments and Contingencies		
Stockholders' Equity:		
Preferred Stock, $.0001 par value; 5,000,000 shares authorized, none issued		
Common stock, $.0001 par value; 100,000,000 shares authorized; 20,750,926 and 16,834,260 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	2,075	1,683
Additional paid-in capital	9,791,485	8,300,766
Accumulated deficit	(7,974,058)	(7,074,733)
	1,819,502	1,227,716
Less: Treasury Stock, at cost, 23,334 shares	(31,501)	(31,501)
Total Stockholders' Equity	1,788,001	1,196,215
Total Liabilities and Stockholders' Equity	$2,278,176	$1,538,280

See notes to condensed financial statements.

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ACE MARKETING & PROMOTIONS, INC.

Condensed Statements of Operations

	Three Months Ended June 30, Unaudited		Six Months Ended June 30, Unaudited	
	2011	2010	2011	2010
Revenues, net	$986,433	$1,077,512	$1,634,202	$1,673,894
Cost of Revenues	812,840	817,419	1,277,623	1,178,636
Gross Profit	173,593	260,093	356,579	495,258
Operating Expenses:				
Selling, general and administrative expenses	637,137	827,038	1,255,253	1,449,771
Total Operating Expenses	637,137	827,038	1,255,253	1,449,771
Loss from Operations	(463,544)	(566,945)	(898,674)	(954,513)
Other Income (Expense):				
Interest expense	(919)	(198)	(919)	(260)
Interest income	144	207	268	411
Total Other Income (Expense)	(775)	9	(651)	151
Net Loss	$(464,319)	$(566,936)	$(899,325)	$(954,362)
Net Loss Per Common Share:				
Basic	$(0.02)	$(0.04)	$(0.05)	$(0.07)
Diluted	$(0.02)	$(0.04)	$(0.05)	$(0.07)
Weighted Average Common Shares Outstanding:				
Basic	18,934,904	13,116,594	17,490,700	12,838,119
Diluted	18,934,904	13,116,594	17,490,700	12,838,119

See notes to condensed financial statements.

ACE MARKETING & PROMOTIONS, INC.

Condensed Statements of Cash Flows

Six Months Ended June 30,	2011 Unaudited	2010 unaudited
Cash Flows from Operating Activities:		
Net loss	$(899,325)	$(954,362)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	44,875	24,824
Stock-based compensation	176,861	497,121
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	(72,014)	253
Prepaid expenses and other assets	(368,346)	(71,194)
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	148,110	(50,701)
Total adjustments	(70,514)	400,303
Net Cash Used in Operating Activities	(969,839)	(554,059)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(382,389)	(113,238)
Net Cash (Used) in Provided by Investing Activities	(382,389)	(113,238)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	1,314,250	443,000
Net Cash Provided by Financing Activities	1,314,250	443,000
Net Decrease in Cash and Cash Equivalents	(37,978)	(224,297)
Cash and Cash Equivalents, beginning of period	763,581	595,611
Cash and Cash Equivalents, end of period	$725,603	$371,314

See notes to condensed financial statements.

ACE MARKETING & PROMOTIONS, INC.

Statement of Stockholders' Equity

Year ended December 31, 2010 & Six Months Ended June 30, 2011

	Total Stockholders' Equity	Common Stock Shares	Amount	Additional Paid-in Capital	(Deficit)	Treasury Stock Shares	Amount
Balance, at December 31, 2009	$ 887,036	11,615,703	$ 1,163	$ 6,229,851	$ (5,312,477)	23,334	$ (31,501)
Stock Purchase	1,364,800	4,672,499	467	1,364,333			
Stock Warrant	15,064			15,064			
Stock Grant	155,649	546,058	53	155,596			
Stock Compensation	535,922			535,922			
Net Loss	(1,762,256)				(1,762,256)		
Balance, at December 31, 2010	$ 1,196,215	16,834,260	$ 1,683	$ 8,300,766	$ (7,074,733)	23,334	$ (31,501)
Stock Purchase	$ 1,314,250	3,666,666	$ 367	$ 1,313,883			
Stock Warrant	$ 25,522			$ 25,522			
Stock Grant	29,154	250,000	25	29,129			
Stock Compensation	122,185			122,185			
Net Loss	(899,325)				$ (899,325)		
Balance, at June 30, 2011	$ 1,788,001	20,750,926	$ 2,075	$ 9,791,485	$ (7,974,058)	23,334	$ (31,501)

See notes to condensed financial statements.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(UNAUDITED)

NOTE 1: BASIS OF PRESENTATION:

The accompanying condensed financial statements and footnotes thereto are unaudited.

The Condensed Balance Sheets as of June 30, 2011 and December 31, 2010, the Condensed Statements of Operations for the three months and six months ended June 30, 2011 and 2010 and the Condensed Statements of Cash Flows for the six months ended June 30, 2011 and 2010 have been prepared by us without audit, and in accordance with the requirements of Form 10-Q and, therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. In our opinion, the accompanying unaudited condensed financial statements contain all adjustments necessary to present fairly in all material respects our financial position as of June 30, 2011, results of operations for the three months and six months ended June 30, 2011 and 2010 and cash flows for the six months ended June 30, 2011 and 2010. All such adjustments are of a normal recurring nature. The results of operations and cash flows for the three months and six months ended June 30, 2011 are not necessarily indicative of the results to be expected for the full year. We have evaluated subsequent events through the filing of this Form 10-Q with the SEC, and determined there have not been any events that have occurred that would require adjustments to our unaudited Condensed Financial Statements.

The information contained in this report on Form 10-Q should be read in conjunction with our Form 10-K for our fiscal year ended December 31, 2010.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenue, costs and expenses. Actual results could differ from these estimates.

NATURE OF OPERATIONS - Ace Marketing & Promotions, Inc. (the "Company" or "Ace") began as promotional products company and has since evolved into an Integrated Marketing Solutions Company. Ace currently focuses on four business verticals; Branding, Interactive, Direct Relationship Marketing and Mobile Marketing. With its newly developed suite of solutions in place, Ace now offer its clients and potential clients the ability to work smarter in addressing their marketing needs by leveraging technology platforms. The services and technology platforms assembled within each business vertical allows Ace to provide its clients with an exceptional mix of solutions for reaching their customers in ways that were previously impossible. Clients have the ability to choose a single solution within a vertical or a complete package of solutions working together seamlessly. By offering the entire suite of solutions, the need for multiple vendors has been eliminated, and Ace can be a single source provider of Branding, Interactive, Direct Relationship Marketing and Mobile Marketing Solutions.

Within the Branding vertical Ace has the ability to create the actual brand, in addition to providing all the branded merchandise. This has been the core of the Ace business model since its inception. The current focus within this vertical is to find new and innovative ways to leverage new technology platforms to drive growth beyond traditional channels. The Interactive vertical deals with any online marketing & branding initiatives. Utilizing the Ace Place Platform (a proprietary Content Management System); custom websites are created and total control of the site content is given back to the client. Through the Ace Place platform, a client simply chooses from one of the many web-design packages and has the ability to change the content on the site without the need for a programmer and the high hourly fees that go along with them. With this power, their websites become dynamic and powerful marketing vehicles instead of just an online static ad. For relevant clients, Ace can add an E-Commerce component to their website along with Email Marketing services to assist in marketing the site. As an additional service, each site can be housed on Ace's servers.

ACE MARKETING & PROMOTIONS, INC.
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The Direct Relationship Marketing vertical creates 1 to 1 relationship marketing Solutions. Ace's strategy for delivering successful marketing campaigns utilizes specific databases to personalize messages across a wide array of integrated delivery mechanisms. Ace has expanded its capabilities beyond direct mail to incorporate variable data programming technology into web applications, telephony, email, and print. Ace's Direct Relationship Marketing solution helps attract new customers and retain exist ones by targeting each identified demographic group through our various tools to get the intended message across with measured results.

The Company's fourth business vertical is the Mobile Marketing vertical. Ace through its subsidiary (Mobiquity Networks), provides, via Bluetooth and Wi-Fi, Location-Based Mobile Marketing services. Several years ago the term "Mobile Marketing" was just a buzz word, last year mobile marketing became a reality, and now companies are eagerly adding "mobile" to their advertising mix. While addressing this exciting market opportunity, Ace has quickly become one of the US leaders in Location-Based Mobile Marketing. Utilizing its technology, which many consider the best in the industry, Ace has set up a Bluetooth and Wi-Fi Mobile Marketing Network to allow the delivery of content directly to consumers' mobile device at no cost to them. This advertising medium is set to become the next component of marketing spends as mobile marketing continues to gain more and more momentum. The technology allows advertisers to target and deliver rich media content to specific locations and times where it is most relevant. It gives advertisers the ability to reach consumers with their message as they are ready to make their purchasing decision. Ace controls the network remotely, so each location and campaign can be monitored whether they are down the block or across the country. With its precise statistical reporting as to how many consumers engaged in the campaign, advertisers now have an exciting new and measurable medium to communicate with consumers. Ace has recently signed an exclusive rights deal with a major mall developer to build this next generation network across the United States.

Business Partners

We have partnered with Blue Bite LLC. ("Blue Bite"), a premier provider of Proximity Marketing hardware and software solutions, and Eye Corp Pty Ltd., ("EyeCorp") an out-of-home media company which operates the largest mall advertising display network in the United States, to roll-out an expansive network which comprises of retail, dining, transportation, sporting, music, and other high traffic venues.

ACE MARKETING & PROMOTIONS, INC.
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Agreement with Simon Property Group, L.P.

In April 2011, we signed an exclusive rights agreement with a Top Mall Developer (the "Simon Property Group") to create a location-based mobile marketing network called Mobiquity Networks. The 50 mall agreement runs through December of 2015 and includes top malls in the Simon Mall portfolio. This new alliance will give advertisers the opportunity to reach millions of mall visitors per month with mobile digital content and offers when they are most receptive to advertising messages.

In connection with Eye Corp., Mobiquity Networks will deliver digital content and offers to shoppers on their mobile devices through Eye Corp's extensive Mall Advertising Network. Eye Corp and Mobiquity Networks have an exclusive agreement to build a location-based mobile marketing network throughout Eye Corp's Mall Advertising network. New properties to be added to the Mobiquity Networks portfolio will include iconic malls in the top DMA's (designated market area) in the US. These prestigious malls further complement Mobiquity Networks' portfolio of prominent malls including Queens Center Mall in New York City, Northbridge in Chicago, and Santa Monica Place in Los Angeles.

Ace's Location-Based Mobile advertising medium is designed to reach on-the-go shoppers via their mobile devices with free rich media content delivered using Bluetooth or Wi-Fi. This advertising medium offers extremely targeted messaging engineered to engage and influence shoppers as they move about the mall environment. Eye Corp, along with Ace Marketing, will jointly create mobile marketing programs for existing clients in conjunction with their already active in mall advertising programs. Mobiquity Networks proximity marketing units will be strategically positioned in shopping malls near entrances, anchor stores, escalators and other high-traffic, and high dwell-time areas. Mobiquity Networks proximity marketing unit placement takes advantage of the opportunity to provide a reminder to consumers and touch them just before making a purchase decision. These units generate high awareness and brand recognition at the right time and place. When combined with the impact of other visual advertising mediums (in mall assets) or as a stand-alone medium, Mobiquity Networks is a great mobile solution to promote a brand on a local or national level.

NOTE 2: ACCOUNTING PRONOUNCEMENTS:

Except for rules and interpretive releases of the SEC under authority of federal securities laws and a limited number of grandfathered standards, the FASB Accounting Standards Codification™ ("ASC") is the sole source of authoritative GAAP literature recognized by the FASB and applicable to the Company. Management has reviewed the aforementioned rules and releases and believes any effect will not have a material impact on the Company's present or future consolidated financial statements.

NOTE 3: SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition - Revenue is recognized when title and risk of loss transfers to the customer and the earnings process is complete. In general, title passes to our customers upon the customer's receipt of the merchandise. The Company applies the revenue recognition principles which provides for revenue to be recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery has been completed, (iii) the customer accepts and verifies receipt, (iv) collectability is reasonably assured. The Company records all shipping and handling fees billed to customers as revenues and related costs as cost of goods sold, when incurred.

ACE MARKETING & PROMOTIONS, INC.
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Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 4: LOSS PER SHARE

Basic loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Dilutive loss per share gives effect to stock options and warrants, which are considered to be dilutive common stock equivalents. Basic loss per common share was computed by dividing net loss by the weighted average number of shares of common stock outstanding. The number of common shares potentially issuable upon the exercise of certain options and warrants that were excluded from the diluted loss per common share calculation was approximately 14,200,000 and 6,000,000 because they are anti-dilutive as a result of a net loss for the three months ended June 30, 2011 and 2010, respectively.

NOTE 5: STOCK COMPENSATION

Compensation costs related to share-based payment transactions, including employee stock options, are recognized in the financial statements utilizing the straight line method for the cost of these awards.

The Company's results for the three month periods ended June 30, 2011 and 2010 include employee share-based compensation expense totaling approximately $52,000 and $356,000, respectively. The Company's results for the six month periods ended June 30, 2011 and 2010 include employee share-based compensation expense totaling approximately $177,000 and $497,000, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within selling, general and administrative expenses. No income tax benefit has been recognized in the statement of operations for share-based compensation arrangements due to a history of operating losses.

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The following table summarizes stock-based compensation expense for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Employee stock-based compensation - option grants	$ -	$ 217,900	$ 42,766	$ 267,180
Employee stock-based compensation - stock grants	14,789	-	14,789	
Non-Employee stock-based compensation - option grants	31,180	122,822	73,052	94,477
Non-Employee stock-based compensation - stock grants	-	15,250	14,365	120,400
Non-Employee stock-based compensation-stock warrant	6,369	-	31,889	15,064
Total	$ 52,338	$ 355,972	$ 176,861	$ 497,121

NOTE 6: STOCK OPTION PLAN

During Fiscal 2005, the Company established, and the stockholders approved, an Employee Benefit and Consulting Services Compensation Plan (the "2005 Plan") for the granting of up to 2,000,000 non-statutory and incentive stock options and stock awards to directors, officers, consultants and key employees of the Company. On June 9, 2005, the Board of Directors amended the Plan to increase the number of stock options and awards to be granted under the Plan to 4,000,000. In October 2009, the Company established and the stockholders approved a 2009 Employee Benefit and Consulting Services Compensation Plan (the "2009 Plan") for granting up to 4,000,000 non-statutory and incentive stock options and awards to directors, officers, consultants and employees of the Company. (The 2005 Plan and the 2005 Plan are collectively referred to as the "Plans".)

All stock options under the Plans are granted at or above the fair market value of the common stock at the grant date. Employee and non-employee stock options vest over varying periods and generally expire either 5 or 10 years from the grant date.

The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The fair values of these restricted stock awards are equal to the market value of the Company’s stock on the date of grant, after taking into certain discounts. The expected volatility is based upon historical volatility of our stock and other contributing factors. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees. Previously, such assumptions were determined based on historical data.

ACE MARKETING & PROMOTIONS, INC.
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The weighted average assumptions made in calculating the fair values of options granted during the three months and six months ended June 30, 2011 and 2010 are as follows:

	Three Months Ended June 30 2011	2010	Six Months Ended June 30 2011	2010
Expected volatility	133.08%	121.74%	94.48%	123.48%
Expected dividend yield	-	-	-	-
Risk-free interest rate	0.68%	3.89%	2.63%	3.89%
Expected term (in years)	2	10	7.71	10

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2011	3,120,000	.97	5.23	$ 6,500
Granted	250,000	.26	9.92	
Exercised	-			
Cancelled & Expired	(130,000)	2.50	5.00	
Outstanding, June 30, 2011	3,240,000	.86	5.34	
Options exercisable, June 30, 2011	3,090,000	.85	5.46	$ 138,500

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2011 and 2010 was $0.26 and $0.54, respectively.

The aggregate intrinsic value of options outstanding and options exercisable at June 30, 2011 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for the shares that had exercise prices, that were lower than the $0.67 closing price of the Company's common stock on June 30, 2011.

As of June 30, 2011, the fair value of unamortized compensation cost related to unvested stock option awards was approximately $150,000. Unamortized compensation cost as of June 30, 2011 is expected to be recognized over a remaining weighted-average vesting period of 1.5 years.

ACE MARKETING & PROMOTIONS, INC.
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The weighted average assumptions made in calculating the fair value of warrants granted during the three and six months ended June 30, 2011 and 2010 are as follows:

	Three Months Ended June 30 2011	2010	Six Months Ended June 30 2011	2010
Expected volatility	90.93%	132.18%	69.94%	132.18%
Expected dividend yield	-	-	-	-
Risk-free interest rate	1.71%	2.65%	1.32%	2.65%
Expected term (in years)	4.80	5	3.69	3

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2011	6,243,965	$ 0.54	2.26	$ 6,500
Granted	5,041,666	$ 0.39	2.13	
Exercised	-	-		
Cancelled	(299,989)	-		
Outstanding, June 30, 2011	10,985,642	$ 0.48	2.47	
Warrants exercisable, June 30, 2011	10,985,642	$ 0.48	2.47	$ 1,667,741

NOTE 7: CONSULTING AGREEMENTS

In January 2010, the Company entered into an agreement with a consulting firm to provide services over the next twelve months. The agreement provides for the issuance of 100,000 restricted common shares of Common Stock.

In January 2010, the Company also entered into an agreement with a two individuals to provide services over the next twelve months. The agreement provides for the issuance of 57,500 shares and 52,500 restricted common shares of Common Stock which vest immediately.

In January 2011, the Company entered into an agreement with a consulting firm to provide business development services. The agreement provides for the issuance of 100,000 shares of restricted Common Stock and Warrants to purchase 200,000 shares of restricted Common Stock.

Pursuant to an agreement dated as of November 15, 2010, the Company entered into a three year contract with a consulting firm to provide certain financial and public relation services on a non-exclusive basis. Pursuant to the agreement, an initial retainer of $12,500 was paid. The agreement provides for the possible issuance of up to 250,000 common shares and up to $100,000 in cash compensation based upon referrals of credible and synergistic corporate partners and/or acquisitions, which acquisitions or partnerships must be approved by Ace. In January 2011, the Company approved the issuance of 50,000 shares of common stock for consulting services rendered by this consultant.

In June 2011, we entered into a one-year Investor Relation, Public Awareness Agreement with Legend Securities, Inc. at a cost of $10,000 per month and 75,000 shares of restricted Common Stock per quarter.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010
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NOTE 8: PRIVATE PLACEMENT

On December 8, 2009, Ace Marketing & Promotions, Inc. entered into an Introducing Agent Agreement with Legend Securities, Inc., a FINRA registered broker-dealer ("Legend"), to attempt to raise additional financing through the sale of its Common Stock and Warrants. Between December 8, 2009 and March 15, 2010, the Company closed on gross proceeds of $1,025,000 before commissions of $117,000. The planned use of proceeds is to primarily expand the Company's mobile and interactive divisions. The Company issued pursuant to the terms of the offering an aggregate of 2,050,000 shares of Common Stock at a per share price of $.50 per share and 1,025,000 Warrants exercisable at $1.00 per share to investors in the offering and placement agent warrants to purchase an amount equal to 10% of the number of shares and the number of warrants sold in the offering. All securities were issued pursuant to Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In August 2010, the Company raised $175,000 in gross proceeds from the sale of 437,500 shares and a like number of Warrants expiring in August 2013. The investor paid $0.40 per Share and received Warrants exercisable at $0.60 per Share. In November 2010, the Company commenced a plan of financing and raised an additional $800,500 in financing from the sale of 2,934,999 Shares of its restricted Common Stock at $0.30 per Share and Class E Common Stock Purchase Warrants to purchase a like number of Shares, exercisable at $0.30 per Share through August 31, 2013. Subsequent to the completion of the second financing, the Company agreed to adjust the terms of the August 2010 transaction and issue to the August 2010 investor Shares and Class E Warrants on the same terms as those sold in November - December 2010. Accordingly, an additional 145,833 Shares and a like number of Warrants were issued to the August 2010 investor, with the exercise price of the Warrants being lowered from $0.60 per Share to $0.30 per Share.

In March 2011, the Company commenced a private placement offering. Pursuant to said offering which terminated on April 19, 2011, the Company raised $755,000 in gross proceeds from the sale of 2,516,667 shares of common stock and a like number of warrants, exercisable at $.30 per share through August 31, 2013. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

Between May 25, 2011 and June 3, 2011, the Company received gross proceeds of $461,250 from the sale of 1,025,000 shares of Common Stock at a purchase price of $.45 per share. The sale of stock was also accompanied by Warrants expiring on May 31, 2014. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

NOTE 9: OPTIONS OUTSIDE COMPENSATION PLAN

On March 25, 2010, the Company granted Non-Statutory Stock Options to purchase 10,000 shares of the Company’s Common Stock to an attorney for services rendered. at an exercise price of $.54 per share, with 100% of the options vesting immediately and expiring on March 25, 2020.

On March 25, 2010, the Company issued a total of 100,000 Non-Statutory Stock Options to two key employees in accordance with their employment agreement. The Options have an exercise price of $.54 per share, with 100% of the options vesting immediately and expiring on March 25, 2020.

On April 9, 2009, the Company hired a firm as an independent sales organization to promote its proximity marketing units in the sports and entertainment industry. The firm was granted options to purchase 100,000 shares at $.90 per share outside of Ace's compensation plan which generates approximately a non-cash $3,000 expense on a monthly basis.

ACE MARKETING & PROMOTIONS, INC.
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NOTE 10: SHARED BASED COMPENSATION

On January 4, 2010, the Company issued 6,000 Warrants to purchase Common Stock to an independent consultant to manage sales relationships. The services were recorded equal to the value of the shares at the date of grant and an expense of $3,051 is included in the operating expenses for the year ended December 31, 2010

On August 17, 2010, the Company issued 145,600 Warrants to purchase Common Stock to franchisee owners of a chain store for the purpose of placing proximity marketing units in their business locations.

RESTRICTED STOCK GRANTS - In January 2010, the Company entered into an agreement with a consulting firm to provide services over the next twelve months. The agreement provides for the issuance of 100,000 restricted Common Stock.

In January 2010, the Company also entered into an agreement with two individuals to provide services over the next twelve months. The agreement provides for the issuance of 57,500 shares and 52,500 restricted common shares of Common Stock which vest immediately.

Pursuant to an agreement dated as of November 15, 2010, the Company entered into a three year contract with a consulting firm to provide certain financial and public relation services on a non-exclusive basis. Pursuant to the agreement, an initial retainer of $12,500 was paid. The agreement provides for the possible issuance of up to 250,000 common shares and up to $100,000 in cash compensation based upon referrals of credible and synergistic corporate partners and/or acquisitions, which acquisitions or partnerships must be approved by Ace. In January 2011, the Company approved the issuance of 50,000 shares of common stock for consulting services rendered by this consultant.

During the past three years, the Company has granted under our 2005 Plan certain employees and consultants restricted stock awards for services for the prior year with vesting to occur after the passage of an additional 12 months. These awards totaled 45,000 Shares for 2008, subject to continued services with the Company through December 31, 2009. These awards totaled 51,000 Shares for 2009 subject to continued services with the Company through December 31, 2010. These awards totaled 105,000 Shares for 2010 subject to continued services with the Company through December 31, 2011.

The Company's results for the three months ended June 30, 2011 and 2010 include employee share-based compensation expense totaling approximately $52,000 and $356,000, respectively. The Company's results for the six months ended June 30, 2011 and 2010 include employee share-based compensation expense totaling approximately $177,000 and $497,000, respectively. Such amounts have been included in the Statements of Operations within selling, general and administrative expenses. No income tax benefit has been recognized in the statement of operations for share-based compensation arrangements due to a history of operating losses.

NOTE 11: EMPLOYMENT CONTRACTS/DIRECTOR COMPENSATION

On April 7, 2010, the Board of Directors approved a five-year extension of the employment contracts of Dean L. Julia and Michael D. Trepeta to expire on March 1, 2015. The Board approved the continuation of each officer's annual salary and scheduled salary increases on March 1 of each year of $2,000 per month. The Board also approved a signing bonus of stock options to purchase 200,000 shares granted to each officer which is fully vested at the date of grant and exercisable at $.50 per share through April 7, 2020; ten-year stock options to purchase 100,000 shares of Common Stock to be granted to each officer at fair market value on each anniversary date of the contract and extension thereof commencing March 1, 2011; and termination pay of one year base salary based upon the scheduled annual salary of each executive officer for the next contract year plus the amount of bonuses paid or entitled to be paid to the executive for the current fiscal year or the preceding fiscal year, whichever is higher. In the event of termination, the executives will continue to receive all benefits included in the employment agreement through the scheduled expiration date of said employment agreement prior to the acceleration of the termination date thereof.

ACE MARKETING & PROMOTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(UNAUDITED)

On April 7, 2010, the Board of Directors approved the grant of options to purchase 150,000 shares of Common Stock to a director, exercisable at $.50 per share at any time from the date of grant through April 7, 2020. The Board also approved commencing March 1, 2011, and every March 1st thereafter, the grant of 50,000 ten-year stock options to purchase shares at the fair market value at the date of grant to each director who is not an executive officer of the Company.

On March 1, 2011, Messrs. Julia and Trepeta each received 10-year options to purchase 100,000 shares, exercisable at $.26 per share. On the same date, a director also received 10-year options to purchase 50,000 shares exercisable at $.26 per share.

NOTE 12: SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through the filing date of this Form 10-Q for appropriate accounting and disclosures.

In July 2011, the Company commenced a private placement offering. Pursuant to said offering between July14, 2011 and August 1, 2011, the Company raised $975,000 in gross proceeds from the sale of 1,950,000 shares of common stock and a like number of warrants, exercisable at $.60 per share through July 31, 2014. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The information contained in this Form 10-Q and documents incorporated herein by reference are intended to update the information contained in the Company's Form 10-K for its fiscal year ended December 31, 2010 which includes our audited financial statements for the year ended December 31, 2010 and such information presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and other information contained in such Form 10-K and other Company filings with the Securities and Exchange Commission (“SEC”).

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, and actual results could be significantly different than those discussed in this Form 10-Q. Certain statements contained in Management's Discussion and Analysis, particularly in "Liquidity and Capital Resources," and elsewhere in this Form 10-Q are forward-looking statements. These statements discuss, among other things, expected growth, future revenues and future performance. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions within the bounds of our knowledge of our business, a number of factors could cause actual results to differ materially from those expressed in any forward-looking statements, whether oral or written, made by us or on our behalf. The forward-looking statements are subject to risks and uncertainties including, without limitation, the following: (a) changes in levels of competition from current competitors and potential new competition, (b) possible loss of customers, and (c) the company's ability to attract and retain key personnel, (d) The Company's ability to manage other risks, uncertainties and factors inherent in the business and otherwise discussed in this 10-Q and in the Company's other filings with the SEC. The foregoing should not be construed as an exhaustive list of all factors that could cause actual results to differ materially from those expressed in forward-looking statements made by us. All forward-looking statements included in this document are made as of the date hereof, based on information available to the Company on the date thereof, and the Company assumes no obligation to update any forward-looking statements.

NATURE OF OPERATIONS

Ace Marketing & Promotions, Inc. (the "Company" or "Ace") began as promotional products company and has since evolved into an Integrated Marketing Solutions Company. Ace currently focuses on four business verticals; Branding, Interactive, Direct Relationship Marketing and Mobile Marketing. With its newly developed suite of solutions in place, Ace now offer its clients and potential clients the ability to work smarter in addressing their marketing needs by leveraging technology platforms. The services and technology platforms assembled within each business vertical allows Ace to provide its clients with an exceptional mix of solutions for reaching their customers in ways that were previously impossible. Clients have the ability to choose a single solution within a vertical or a complete package of solutions working together seamlessly. By offering the entire suite of solutions, the need for multiple vendors has been eliminated, and Ace can be a single source provider of Branding, Interactive, Direct Relationship Marketing and Mobile Marketing Solutions.

Within the Branding vertical Ace has the ability to create the actual brand, in addition to providing all the branded merchandise. This has been the core of the Ace business model since its inception. The current focus within this vertical is to find new and innovative ways to leverage new technology platforms to drive growth beyond traditional channels.

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The Interactive vertical deals with any online marketing & branding initiatives. Utilizing the Ace Place Platform (a proprietary Content Management System); custom websites are created and total control of the site content is given back to the client. Through the Ace Place platform, a client simply chooses from one of the many web-design packages and has the ability to change the content on the site without the need for a programmer and the high hourly fees that go along with them. With this power, their websites become dynamic and powerful marketing vehicles instead of just an online static ad. For relevant clients, Ace can add an E-Commerce component to their website along with Email Marketing services to assist in marketing the site. As an additional service, each site can be housed on Ace's servers.

The Direct Relationship Marketing vertical creates 1 to 1 relationship marketing Solutions. Ace's strategy for delivering successful marketing campaigns utilizes specific databases to personalize messages across a wide array of integrated delivery mechanisms. Ace has expanded its capabilities beyond direct mail to incorporate variable data programming technology into web applications, telephony, email, and print. Ace's Direct Relationship Marketing solution helps attract new customers and retain exist ones by targeting each identified demographic group through our various tools to get the intended message across with measured results.

The Company's fourth business vertical is the Mobile Marketing vertical. Ace through its subsidiary (Mobiquity Networks), provides, via Bluetooth and Wi-Fi, Location-Based Mobile Marketing services. Several years ago the term "Mobile Marketing" was just a buzz word, last year mobile marketing became a reality, and now companies are eagerly adding "mobile" to their advertising mix. While addressing this exciting market opportunity, Ace has quickly become one of the US leaders in Location-Based Mobile Marketing. Utilizing its technology, which many consider the best in the industry, Ace has set up a Bluetooth and Wi-Fi Mobile Marketing Network to allow the delivery of content directly to consumers' mobile device at no cost to them. This advertising medium is set to become the next component of marketing spends as mobile marketing continues to gain more and more momentum. The technology allows advertisers to target and deliver rich media content to specific locations and times where it is most relevant. It gives advertisers the ability to reach consumers with their message as they are ready to make their purchasing decision. Ace controls the network remotely, so each location and campaign can be monitored whether they are down the block or across the country. With its precise statistical reporting as to how many consumers engaged in the campaign, advertisers now have an exciting new and measurable medium to communicate with consumers. Ace has recently signed an exclusive rights deal with a major mall developer to build this next generation network across the United States.

Business Partners

We have partnered with Blue Bite LLC. ("Blue Bite"), a premier provider of Proximity Marketing hardware and software solutions, and Eye Corp Pty Ltd., ("EyeCorp") an out-of-home media company which operates the largest mall advertising display network in the United States, to roll-out an expansive network which comprises of retail, dining, transportation, sporting, music, and other high traffic venues.

Agreement with Simon Property Group, L.P.

In April 2011, we signed an exclusive rights agreement with a Top Mall Developer (the "Simon Property Group") to create a location-based mobile marketing network called Mobiquity Networks. The 50 mall agreement runs through December of 2015 and includes top malls in the Simon Mall portfolio. This new alliance will give advertisers the opportunity to reach millions of mall visitors per month with mobile digital content and offers when they are most receptive to advertising messages.

In connection with Eye Corp., Mobiquity Networks will deliver digital content and offers to shoppers on their mobile devices through Eye Corp's extensive Mall Advertising Network. Eye Corp and Mobiquity Networks have an exclusive agreement to build a location-based mobile marketing network throughout Eye Corp's Mall Advertising network. New properties to be added to the Mobiquity Networks portfolio will include iconic malls in the top DMA's (designated market area) in the US. These prestigious malls further complement Mobiquity Networks' portfolio of prominent malls including Queens Center Mall in New York City, Northbridge in Chicago, and Santa Monica Place in Los Angeles.

Ace's Location-Based Mobile advertising medium is designed to reach on-the-go shoppers via their mobile devices with free rich media content delivered using Bluetooth or Wi-Fi. This advertising medium offers extremely targeted messaging engineered to engage and influence shoppers as they move about the mall environment. Eye Corp, along with Ace Marketing, will jointly create mobile marketing programs for existing clients in conjunction with their already active in mall advertising programs. Mobiquity Networks proximity marketing units will be strategically positioned in shopping malls near entrances, anchor stores, escalators and other high-traffic, and high dwell-time areas. Mobiquity Networks proximity marketing unit placement takes advantage of the opportunity to provide a reminder to consumers and touch them just before making a purchase decision. These units generate high awareness and brand recognition at the right time and place. When combined with the impact of other visual advertising mediums (in mall assets) or as a stand-alone medium, Mobiquity Networks is a great mobile solution to promote a brand on a local or national level.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of financial statements requires management to make estimates and disclosures on the date of the financial statements. On an on-going basis, we evaluate our estimates including, but not limited to, those related to revenue recognition. We use authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates. We believe that the following critical accounting policies affect our more significant judgments and estimates in the preparation of our financial statements.

REVENUE RECOGNITION. Revenues are recognized when title and risk of loss transfers to the customer and the earnings process is complete. In general, title passes to our customers upon the customer's receipt of the merchandise. Revenue is accounted by reporting revenue gross as a principal versus net as an agent. Revenue is recognized on a gross basis since our company has the risks and rewards of ownership, latitude in selection of vendors and pricing, and bears all credit risk. Our company records all shipping and handling fees billed to customers as revenues, and related costs as cost of goods sold, when incurred.

ALLOWANCE FOR DOUBTFUL ACCOUNTS. We are required to make judgments based on historical experience and future expectations, as to the realizability of our accounts receivable. We make these assessments based on the following factors: (a) historical experience, (b) customer concentrations, (c) customer credit worthiness, (d) current economic conditions, and (e) changes in customer payment terms.

STOCK BASED COMPENSATION. The Company records compensation expense associated with stock options and other equity-based compensation. Share-based compensation expense is determined based on the grant-date fair value estimated using the Black Scholes method. The Company recognizes compensation expense on a straight-line basis over the requisite service period of the award.

RESULTS OF OPERATIONS

The following table sets forth certain selected unaudited condensed statement of operations data for the periods indicated in dollars and as a percentage of total net revenues. The following discussion relates to our results of operations for the periods noted and is not necessarily indicative of the results expected for any other interim period or any future fiscal year. In addition, we note that the period-to-period comparison may not be indicative of future performance.

	Three Months Ended June 30,	
	2011	2010
Revenue	$ 986,433	$ 1,077,512
Cost of Revenues	812,840	817,419
Gross Profit	173,593	260,093
Selling, General and Administrative Expenses	637,137	827,038
(Loss) from Operations	(463,544)	(566,945)

We generated revenues of $986,433 in the second quarter of 2011 compared to $1,077,512 in the same three month period ended June 30, 2010. The decrease in revenues of $91,079 in 2011 compared to 2010 was due to lower margins and the downturn in the overall economy.

Cost of revenues was $812,840 or 82.4% of revenues in the second quarter of 2011 compared to $817,419 or 75.9% of revenues in the same three months of 2010. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Increase in cost of revenues of $4,579 in 2011 is related to an increase in purchases due to the rise in costs during the current quarter ended June 30, 2011.

Gross profit was $173,593 in the second quarter of 2011 or 17.6% of net revenues compared to $260,093 in the same three months of 2010 or 24.1% of revenues. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold, pricing of the items and the volume of product sold. Also, it is our practice to pass freight costs on to our customers. Reimbursement of freight costs which are included in revenues have lower profit margins than sales of our promotional products and has the effect of reducing our overall gross profit margin on sales of products, particularly on smaller orders.

Selling, general, and administrative expenses were $637,137 in the second quarter of 2011 compared to $827,038 in the same three months of 2010. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. The decrease in costs relates to a $303,634 decrease in (non-cash) stock based compensation.

Net loss was $(463,544) in the second quarter of 2011 compared to a net loss of $(566,945) for the same three months in 2010. The second quarter net loss for 2011 includes stock based payments (non-cash) of $52,338 as compared to $(355,972) for the comparable period of 2010. Our 2011 net loss decreased by $103,401 due to reduced operating expenses of $189,901 partially offset by a decrease in gross profit of $86,500. No benefit for income taxes is provided for in 2011 and 2010 due to the full valuation allowance on the net deferred tax assets.

	Six Months Ended June 30,	
	2011	2010
Revenue	$ 1,634,202	$ 1,673,894
Cost of Revenues	1,277,623	1,178,636
Gross Profit	356,579	495,258

Selling, General and Administrative Expenses	1,255,253	1,449,771
(Loss) from Operations	(898,674)	(954,513)

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We generated revenues of $1,634,202 in the first six months of 2011 compared to $1,673,894 in the same six month period ended June 30, 2010. The decrease in revenues of $39,692 in 2011 compared to 2010 was due to the higher cost of goods, lower margins and downturn in the overall economy.

Cost of revenues was $1,277,623 or 78.2% of revenues in the first six months of 2011 compared to $1,178,636 or 70.4% of revenues in the same six months of 2010. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. Increase in cost of revenues of $98,987 in 2011 is related to an increase in purchases due to the mix of items our customer base has ordered during the six months ended June 30, 2011.

Gross profit was $356,579 in the first six months of 2011 or 21.8% of net revenues compared to $495,258 in the same six months of 2010 or 29.6% of revenues. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold, pricing of the items and the volume of product sold. Also, it is our practice to pass freight costs on to our customers. Reimbursement of freight costs which are included in revenues have lower profit margins than sales of our promotional products and has the effect of reducing our overall gross profit margin on sales of products, particularly on smaller orders.

Selling, general, and administrative expenses were $1,255,253 in the first six months of 2011 compared to $1,449,771 in the same six months of 2010. Such costs include payroll and related expenses, commissions, insurance, rents, professional, consulting and public awareness fees. The decrease in costs relates to a $320,260 decrease in (non-cash) stock based compensation.

Net loss was $(898,674) in the second quarter of 2011 compared to a net loss of $(954,513) for the same six months in 2010. The first six months net loss for 2011 includes stock based payments (non-cash) of $176,861 as compared to $497,421 for the comparable period of 2010. Our 2011 net loss decreased by $55,840 due to the decrease in operating expenses of $194,519, partially offset by a decrease in gross profit of $138,679. No benefit for income taxes is provided for in 2011 and 2010 due to the full valuation allowance on the net deferred tax assets.

Liquidity and Capital Resources

The Company had cash and cash equivalents of $725,603 at June 30, 2011. Cash used in operating activities for the six months ended June 30, 2011 was $969,839. This resulted primarily from a net loss of $899,325, offset by stock based compensation of $176,861 an increase in accounts receivable of $72,014 and an increase in prepaid expenses and other assets of $368,346 and an increase of accounts payable and accrued expenses of $148,110. The Company had an increase in investing activities of $382,389 with the purchase of equipment. Cash flow from financing activities of $1,314,250 resulted from the private placement of the Company's Common Stock and Warrants to purchase additional shares of Common Stock.

The Company had cash and cash equivalents of $371,314 at June 30, 2010. Cash used in operating activities for the six months ended June 30, 2010 was $554,059. This resulted primarily from a net loss of $954,362, offset by stock based compensation of $497,121, and an increase in prepaid expenses and other assets of $71,194 and a decrease of accounts payable and accrued expenses of $50,701. The Company had an increase in investing activities of $113,238 with the purchase of equipment. The company received proceeds of $443,000 from the issuance of the Company’s common stock.

Our Company commenced operations in 1998 and was initially funded by our three founders, each of whom has made demand loans to our Company that have been repaid. Since 1999, we have relied primarily on equity financing from outside investors to supplement our cash flow from operations.

We anticipate that our future liquidity requirements will arise from the need to expand our Proximity Marketing Division to finance our accounts receivable and inventories, hire additional sales persons, capital expenditures and possible acquisitions. The primary sources of funding for such requirements will be cash generated from operations, raising additional capital from the sale of equity or other securities and borrowings under debt facilities which currently do not exist. We believe that we can generate sufficient cash flow from these sources to fund our operations for at least the next twelve months. In the event we should need additional financing, we can provide no assurances that we will be able to obtain financing on terms satisfactory to us, if at all.

Recent Financings

On December 8, 2009, the Company entered into an Introducing Agent Agreement with Legend Securities, Inc., a FINRA registered broker-dealer ("Legend"), to attempt to raise additional financing through the sale of its Common Stock and Warrants. Between December 8, 2009 and March 15, 2010, the Company closed on gross proceeds of $1,025,000 before commissions of $117,000. The planned use of proceeds is to primarily expand the Company's mobile and interactive divisions. The Company issued pursuant to the terms of the offering an aggregate of 2,050,000 shares of Common Stock at a per share price of $.50 per share and 1,025,000 Class D Warrants exercisable at $1.00 per share to investors in the offering and placement agent warrants (in the form of Class D Warrants) to purchase 307,500 shares. All securities were issued pursuant to Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In August 2010, the Company raised $175,000 in gross proceeds from the sale of 437,500 shares and a like number of Warrants expiring in August 2013. The investor paid $0.40 per Share and received Warrants exercisable at $0.60 per Share. In November 2010, the Company commenced a plan of financing and raised an additional $800,500 in financing from the sale of 2,934,999 Shares of its restricted Common Stock at $0.30 per Share and Common Stock Purchase Warrants to purchase a like number of Shares, exercisable at $0.30 per Share through August 31, 2013. Subsequent to the completion of the second financing, the Company agreed to adjust the terms of the August 2010 transaction and issue to the August 2010 investor Shares and Warrants on the same terms as those sold in November - December 2010. Accordingly, an additional 145,833 Shares and a like number of Warrants were issued to the August 2010 investor, with the exercise price of the Warrants being lowered from $0.60 per Share to $0.30 per Share. All securities will be issued pursuant to Section 4(2) and/or Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In March 2011, the Company commenced a private placement offering. Pursuant to said offering between March 29, 2011 and April 19, 2011, the Company raised $755,000 in gross proceeds from the sale of 2,516,666 shares of common stock and a like number of warrants, exercisable at $.30 per share through August 31, 2013. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

Between May 25, 2011 and June 3, 2011, the Company received gross proceeds of $461,250 from the sale of 1,025,000 shares of Common Stock at a purchase price of $.45 per share. The sale of stock was also accompanied by Warrants expiring on May 31, 2014. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

In July 2011, the Company commenced a private placement offering. Pursuant to said offering between July14, 2011 and August 1, 2011, the Company raised $975,000 in gross proceeds from the sale of 1,950,000 shares of common stock and a like number of warrants, exercisable at $.60 per share through July 31, 2014. Exemption is claimed for the sale of securities pursuant to Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our short term money market investments. The Company does not have any financial instruments held for trading or other speculative purposes and does not invest in derivative financial instruments, interest rate swaps or other investments that alter interest rate exposure. The Company does not have any credit facilities with variable interest rates.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures, which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commissions rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our CEO and CFO, an evaluation was performed on the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes in the Company’s internal controls over financial reporting during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

As of the filing date of this Form 10-Q, we are not a party to any pending legal proceedings.

ITEM 1A. RISK FACTORS

As a Smaller Reporting Company as defined Rule 12b-2 of the Exchange Act and in item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item 1A.

ITEM 2. CHANGES IN SECURITIES.

(a) From January 1, 2010 through August 9, 2011, we had no sales or issuances of unregistered common stock, except we made sales or issuances of unregistered securities listed in the table below:

Date of Sale	Title of Security	Number Sold	Consideration Received and Description of Underwriting or Other Discounts to Market Price or Convertible Security, Afforded to Purchasers	Exemption from Registration Claimed	If Option, Warrant or Convertible Security, terms of exercise or conversion
January 2011	Common Stock	150,000 shares and 200,000 Class E warrants	Services rendered; no commissions paid	Section 4(2)	Warrants exercisable at $.30 per share through August 31, 2013
March 2011	Common Stock and Class E Warrants	2,516,666 shares and 2,516,666 warrants	$755,000; no commissions paid	Rule 506	Warrants exercisable at $.30 per share through August 31, 2013
April 2011	Common Stock and Class E warrants	100,000 shares and Class E warrants to purchase 100,000 shares	Services rendered; no commissions paid	Rule 506	Warrants exercisable at $.30 per share through August 31, 2013

May 1/ June 2011	Common Stock and Class F Warrants	111,025,000 shares, Class F Warrants to purchase 1,025,000 shares and Class G Warrants to purchase 900,000 shares, respectively.	$461,250; no commissions paid	Rule 506	Class F Warrants exercisable at $.50 per share through May 31, 2014, Class G Warrants exercisable at $.60 per share through May 31, 2014 August 31, 2013
June 2011	Common Stock(1)	75,000 shares	Services rendered; no commissions paid	Rule 506	Not applicable
July/August 2011	Common Stock and Class H Warrants	1,950,000 shares, 1,980,000 Warrants (includes 30,000 Warrants issued to Placement Agent)	$975,000; $15,000 commission paid	Rule 506	Class H Warrants exercisable at $.60 per share through July 31, 2014

(1) 75,000 shares are to be issued for services rendered for the period June 6 - September 6, 2011 for investor relations/public relations. These shares will be issued in the third quarter, but were earned on the June 6, 2011 execution date of the investor relation contract.

(b) Rule 463 of the Securities Act is not applicable to the Company.

(c) In the six months ended June 30, 2011, there were no repurchases by the Company of its Common Stock.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. RESERVED.

ITEM 5. OTHER INFORMATION:

None.

ITEM 6. EXHIBITS:

Exhibit No.	Description
3.1	Articles of Incorporation filed March 26, 1998 (1)
3.2	Amendment to Articles of Incorporation filed June 10, 1999 (1)
3.3	Amendment to Articles of Incorporation approved by stockholders on February 9, 2005(1)
3.4	Amended By-Laws (1)
10.1	Employment Agreement - Michael Trepeta (2)
10.2	Employment Agreement - Dean Julia (2)
10.3	Amendments to Employment Agreement - Michael Trepeta (5)(7)
10.4	Amendments to Employment Agreement - Dean L. Julia (5)(7)
10.5	Joint Venture Agreement with Atrium Enterprises Ltd. (6)
10.6	Agreement with Aon Consulting (6)
10.7	Amendment to Exhibits 10.3 and 10.4 dated April 7, 2010 (10)
11.1	Statement re: Computation of per share earnings. See Statement of Operations and Notes to Financial Statements
14.1	Code of Ethics/Code of Conduct (5)
21.1	Subsidiaries of the Issuer - None in 2007
31.1	Principal Executive Officer Rule 13a-14(a)/15d-14(a) Certification (10)
31.2	Principal Financial Officer Rule 13a-14(a)/15d-14(a) Certification (10)
32.1	Principal Executive Officer Section 1350 Certification (10)
32.2	Principal Financial Officer Section 1350 Certification (10)
99.1	2005 Employee Benefit and Consulting Services Compensation Plan(2)
99.2	Form of Class A Warrant (2)
99.3	Form of Class B Warrant (2)
99.4	Amendment to 2005 Plan (4)
99.5	Form of Class C Warrant (8)
99.6	2009 Employee Benefit and Consulting Services Compensation Plan (3)
99.7	Form of Class D Warrant (3)
99.8	Form or Class E Warrant(10)
99.9	Form of Class F. Warrant (10)
99.10	Form of Class G Warrant (10)
99.11	Form of Class H. Warrant (10)
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document (10)
101.CAL	XBRL Calculation Linkbase Document (10)

101.DEF	XBRL Definition Linkbase Document (10)
101.LAB	XBRL Label Linkbase Document (10)
101.PRE	XBRL Presentation Linkbase Document (10)

(1) Incorporated by reference to Registrant's Registration Statement on Form 10-SB as filed with the Commission on February 10, 2005.
(2) Incorporated by reference to Registrant's Registration Statement on Form 10-SB/A as filed with the Commission March 18, 2005.
(3) Incorporated by reference to Form 10-K filed for the fiscal year ended December 31, 2009.
(4) Incorporated by reference to the Registrant's Form 10-QSB/A filed with the Commission on August 18, 2005.
(5) Incorporated by reference to the Registrant's Form 10-KSB for its fiscal year ended December 31, 2005.
(6) Incorporated by reference to the Registrant's Form 10-KSB for its fiscal year ended December 31, 2006.
(7) Incorporated by reference to the Registrant's Form 8-K dated September 21, 2007.
(8) Incorporated by reference to the Registrant's Form 10-QSB for its quarter ended September 30, 2006.
(9) Incorporated by reference to the Registrant's Form 10-K for its fiscal year ended December 31, 2010.
(10) Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACE MARKETING & PROMOTIONS, INC.

Date: August 12, 2011	By: /s/ Dean L. Julia Dean L. Julia, Principal Executive Officer
Date: August 12, 2011	By: By: /s/ Sean McDonnell Sean McDonnell, Principal Financial Officer